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AUTHOR Frost, Fred A.
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ABSTRACT

Rapid technological development, rising standards of living, and greater pressures of consumerism and consumer expectations have caused shorter product life cycles. Future organizational success will depend on organizations' abilities to respond to the changing opportunities and threats in the marketplace. As companies and products move through their respective cycles, communication patterns change, with information flowing to and within organizations both formally and informally. A study of fifty-five companies in Western Australia was conducted to learn to what extent the sales force is used to provide strategic information. Results showed that only 5% of the companies encouraged written feedback. Ironically, people most committed to the organization's well-being were not encouraged to provide information that could prove vital to the organization's future well-being, thus providing a more solid base for future strategic thinking. One way to remedy the situation would be to place the marketing function in the industrial marketing organization to act as the collector. The expenditure of resources to develop such a system, however, must be measured against the advantages gained. (DF)

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INTRA-COMPANY COMMUNICATION: A KEY ELEMENT IN MARKETING STRATEGY

Fred A. Frost

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INTRA-COMPANY COMMUNICATION: A KEY ELEMENT IN MARKETING STRATEGY

Fred A. Frost, Western Australian Institute of Technology, Bentley

ABSTRACT

Rapid technolcgical development, rising standards of living, greater pressures of consumerism and consumer expectations have resulted in shorter product life cycles. Future organisational success will depend on the ability of organisations to respond to the changing opportunities and threats in the marketplace.

As companies and products move through their respective cycles, communication patterns change. This paper considers the flow of information to the organisation both formally and informally. A mechanism is suggested whereby organisations can capture and use such information fully in terms of strategic planning.

INTRODUCTION

A review of marketing strategies in America, Europe, Japan, and Australia has led Rackham (1983) to conclude that most large European and American corporations anticipate a continued and deepening struggle as we move further into the 1980s. Reinosuke Hara, a director of Seiko, has stated that he is increasingly comparing today with the 1930s: "Our strategies must assume very tough times."

In the era of rapid technological development, success will depend on the ability of organisations to respond to the changing opportunities and threats in the marketplace.

Unfortunately the current depressed market has resulted in many organisations developing strategies based on short-term expediency models. In adopting a belt-tightening approach, many have failed to reassess adequately their strategic options.

The purpose of this paper is to consider aspects of the marketing communication model which are often neglected--and which yet are essential for optimum performance.

This research is concerned with the methods employed in facilitating communication flows from the industrial consumer to the organisation and the dissemination of this information within the organisation.

THE ORGANISATION AND THE PRODUCT LIFE CYCLE

Very few successful products or services pass through a classical life cycle unaltered in any way. Such offerings are developed to meet the changing needs of the market. Whilst this paper is not specifically concerned with innovations as such, innovation in many organisations is a key variable in relation to the future well-being and success of such organisations. Indeed, Mansfield (1975) sees the successful development and commercialisation of innovation in both the product itself and the manufacturing process as crucial to the health of firms, industries, and the national economy.

Most new products or new businesses fail; many successful small firms do not make the transition to more mature larger organisations. The problem in developing and commercialising new products and processes does not arise from a lack of usable technology: the failure of the vast majority of innovations is due to marketing and organisational pathologies. Analysis of the forces which have a bearing on such innovations include both strategic and organisational concerns.

Moore and Tushman (1982) considered the interrelationships between marketing strategy and a range of organisational factors. These authors argued that different strategies and organisational forms are appropriate at different times (and inappropriate at other times), that management must be able to manage these substantially different kinds of organisations and also be prepared to manage the transitions between relatively incompatible strategies, structures, and organisational processes required at different points in the product life cycle.

To complicate the problem further, life cycles in general are tending to become shorter. Up until the introductory stage, exposure of the offering to the environment is minimal. Through the latter stage of the introductory phase and thereafter, the offering will be subject to a variety of pressures, threats, and opportunities.

The initial structure, relatively small and entrepreneurially managed, provides for good communication in that one-to-one processes are common. As the offering moves through the life cycle, the organisation grows in size, and it becomes more impersonal and professional. Whilst ideally the retention of entrepreneurial energy is desired, the emphasis moves from intuitive and informal towards a climate that encourages contention and collaboration.

Competition increases as fast growth occurs. Competition may be either direct or indirect. The internal changes necessary to cope with the fast growth in sales, the movements towards systemised functional processes, rationalisation, and specialisation of tasks, and the introduction of special-purpose equipment--all are potential inhibitors in terms of the organisation's market response ability.

Management must ensure that strong linkages are created between marketing and manufacturing and that equally strong links exist between

the organisation and the external environment. However, in reality, the combined external pressures, particularly those of price competition and organisational growth, are given priority over internal considerations.

Throughout the cycle, more and more communication is transferred through formal mechanisms. In the mature phase, often bureaucratic in form, the organisation becomes less sensitive to technological and market changes, to a point where it often lacks the ability to learn to change and to adapt. A mature organisation's response to substantial threat is to fixate on its routinised behaviours and further to restrict information and control. This rigidity and inability to innovate into new technologies or markets also makes it difficult for the organisation successfully to diversify through acquisition. Thus an important objective for mature organisations is to ensure that conditions are created for growth--they must permit decentralisation and flexibility.

CONSUMER AND INDUSTRIAL BUYING

Von Hippel (1978) has explored the differences between consumer and industrial buying and in particular the reasons for poor utilisation of methodologies for generating consumer product ideas in the industrial product sector. In the consumer-active paradigm, the would-be consumer has the role to develop the idea for a new product, to select a supplier capable of making the product, and to take the initiative to send a request to the selected supplier. In the manufacturer-active paradigm, the role of the customer is essentially that of respondent. The manufacturer's role is to select and survey a group of customers to obtain information on needs for new products or the modification of existing products, and to test the idea against customers' perceptions and purchase decisions.

Strong support exists for the hypothesis that manufacturers of new industrial products and processes often initiate work in response to an explicit customer request for the innovation.

INDUSTRIAL SALES

These findings can be supplemented with considerations of the initial selling opportunity. The selling opportunity, starting when the customer first develops the need for a new product or a modified product, is only the initial selling opportunity. Such selling opportunities are very important to would-be manufacturers of such "new" needs, whether they be new products or re-designs of existing products.

In the first instance, for any given customer, the initial selling opportunity is often the only selling opportunity, because, after an initial supplier is settled upon, changeover to a new supplier often involves considerable cost to the buyer. Selection of a new supplier to fill repeat orders under such circumstances is unlikely.

In addition the initial selling opportunity provides the supplier with an occasion to provide a customised offering--one which would be difficult to replace. When an opportunity of this nature presents itself, it overrides considerations which previously prevented the supplier from gaining a foothold--for example, lack of familiarity with the purchaser or purchase-rationalisation strategies. Further, such an opportunity provides the supplier with an occasion to demonstrate a "service role"--at a time when the competitive suppliers were reluctant to "bend a little." Other aspects of the offering could also be established--for example, in-company training, quality of user manuals, service back-up, etc.

The manufacturer who becomes the supplier to the first buyer of a new industrial product often has the advantage in obtaining orders from new customers for the same product because he has gained a relative advantage on the experience curve relative to the competition; further, he is the known supplier of the item and thus increases his chances of obtaining "product requests" from additional customers.

The degree of risk is effectively reduced, since the prototype is a sure sale--in fact it also becomes a solid reference point-key to many industrial sales programs. Traditional organisational structures indicate clearly the role between marketing and sales and the environment. The expectation is that this interface will be the channel for communication between the organisation and the total environment.

However, in the light of the preceding observations--viz., the rapidity of technological, social, and economic change, the shortening of the "product life cycle" coupled with the increasing competitiveness of world markets and the organisational change over the product life cycle--the question must be asked: "Are the accepted communication channel models sufficient to meet the needs of the dynamic environment?"

My contention is that a radical reassessment of the formal communication models is required if organisations are adequately to meet the challenge of the 1980s. Organisations will need to fully utilise all resources at their disposal--not the least of which is that of communication. A prerequisite is that the organisation not only must be seen as a totally integrated operation--but also must act as one.

Consider the relationships that exist between the marketing/sales department and the remainder of the organisation--interacting with the external environment. Figure 1 indicates the range of interrelationships necessary for the provision of adequate information to the marketing area.

ORGANISATIONAL/ENVIRONMENTAL INTERFACE

In the first instance the organisation must allow for a totally integrated operation. In addition, to be effective over time, the organisation needs to develop a strategic approach which clearly recognises the organisation's functioning within a dynamic environment over a time continuum. The market, as part of that ever-changing environment,

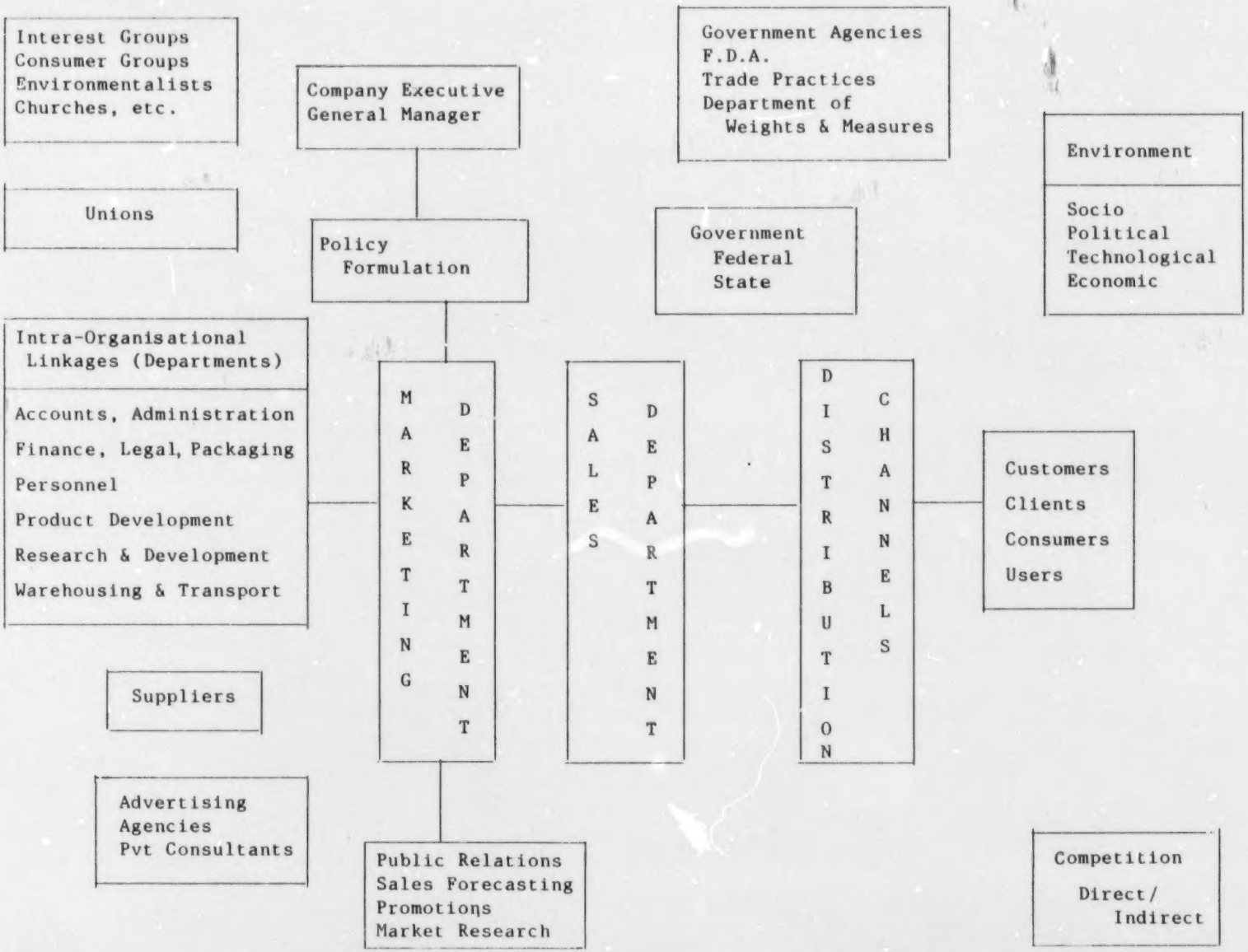

Figure 1. Flow of Information to and from the Marketing Department

encapsulates the organisation. Clearly, the organisation must be aware of the changing environment as it must be of its own ability to match the opportunities in the market with its own capabilities.

This study considers the potential for all major task functions to contribute to the environmental scanning process and to investigate the dissemination of the information within the organisation. It is unhappily true that, in many organisations, policy and strategic planning are seen as the exclusive prerogative of the executive team and that the remainder of the organisation has little part to play in moulding the strategic planning for the organisation. Close contact among the planning group, the organisational entities, and the environment is essential with lines of communication both formal and informal being considered.

CONSUMER/ORGANISATION INTERFACE

A large proportion of valuable information has traditionally passed into the organisation via its interface with consumers. Whilst the examples used are commercially based, the proposition applies equally to not-for-profit organisations and government instrumentalities.

The form the linkage takes is likely to undergo further change as the cost per sales-call continues to escalate. Consequently it is useful to consider this interface as a spectrum of activities--for example, distributors, agents, company sales teams, direct mail, telephone, selling, etc.

Clearly the longer the channel--that is, the more middlemen involved in the distribution of a given product, brand, or service--the more likelihood there is for omission and distortion of message contents to take place, all other things being equal. The number of links in a communication network is inversely related to accurate reception.

Inadequate or inappropriate communication, or miscommunication, can lead to wasted resources and stimulate inter-organisational conflict. The development of a working information system is a prerequisite to securing efficient channel coordination.

It is essential for the organisation to establish, and keep close links with, the end user. The use of intermediaries is a means to an end, but not the end in itself. For organisations that rely on an intermediary's sales force, there are numerous problems to be overcome: motivation, pressure to sell the company's products, control, etc.

MARKETING DEPARTMENT

Previously we have considered the marketing department in relation to the remainder of the organisation and to the environment.

Direct communication inputs to the marketing department in relation to a specific offering are shown in Figure 2. All inputs are

Figure 2. The Offering: Factors Requiring Communication Inputs

important; the relative weightings depend on a range of factors. In order adequately to define the relative weighting, sufficient back-up detail must be available--this will depend on the communication flows.

SALES ORGANISATION

Irrespective of how the channels of distribution are arranged, the sales organisation is in a position to make a significant contri-

bution to the store of strategic information. Not only are they continually calling on customers and potential customers, but in addition they are interfacing either directly or indirectly with competitors. Daily, they are moving in the marketplace--a feature which distinguishes them from other company personnel.

Attention is concentrated on today's offerings. The immediate concerns are more insular, and a typical range of considerations is shown in Figure 3.

The range of inputs is fairly broad. Often the strategic connotation is lost--the enquiries often require speedy attention. Pertinent strategic factors are listed separately. However, often important information is included in the messages relayed under the remaining categories.

SALES MANAGEMENT

Formal and informal information flow is of direct concern to management. Cognitive models of sales management such as that of Walker *et al.* focus on the variables such as the representative's role perception, motivation, and job performance (Walker, Churchill, & Ford, 1977). The model considers a number of components such as the external and internal environments, sales management activities, determinants of a salesperson's performance, and outcomes. This last item includes the aspects of service and reports.

The Ryans-Weinberg models also include consideration of the situational analysis (Ryans & Weinberg, 1981). However, in their three-level model, this is considered at a strategic level. At the implementation level, situational characteristics and exogenous factors such as needs and characteristics of customers and the competitive situation are considered. The behavioural models focus on observable behaviour, specifically sales. Ryans and Weinberg have criticised models such as that of Walker *et al.* on the basis that these other models focus on operations, not on strategy and tactics of sales management. All models allow for important concepts of job satisfaction, and yet the reporting structure in terms of controls concentrates on current sales.

THE SALES FORCE AS AN ENVIRONMENTAL SCANNING UNIT

Consider two elements of sales management--motivation and control. As a result of previous sales and estimates from all sales units, information is fed into budget preparation. A new budget is created and sales quotas allocated. Sales personnel are then judged on their ability to meet the targets set. There is no question that this basic procedure is integral to the sales role. The question is--Is this approach limiting? Experience has shown that little attention is paid to nondirect sales information or activities. The reasons for this are many and varied:

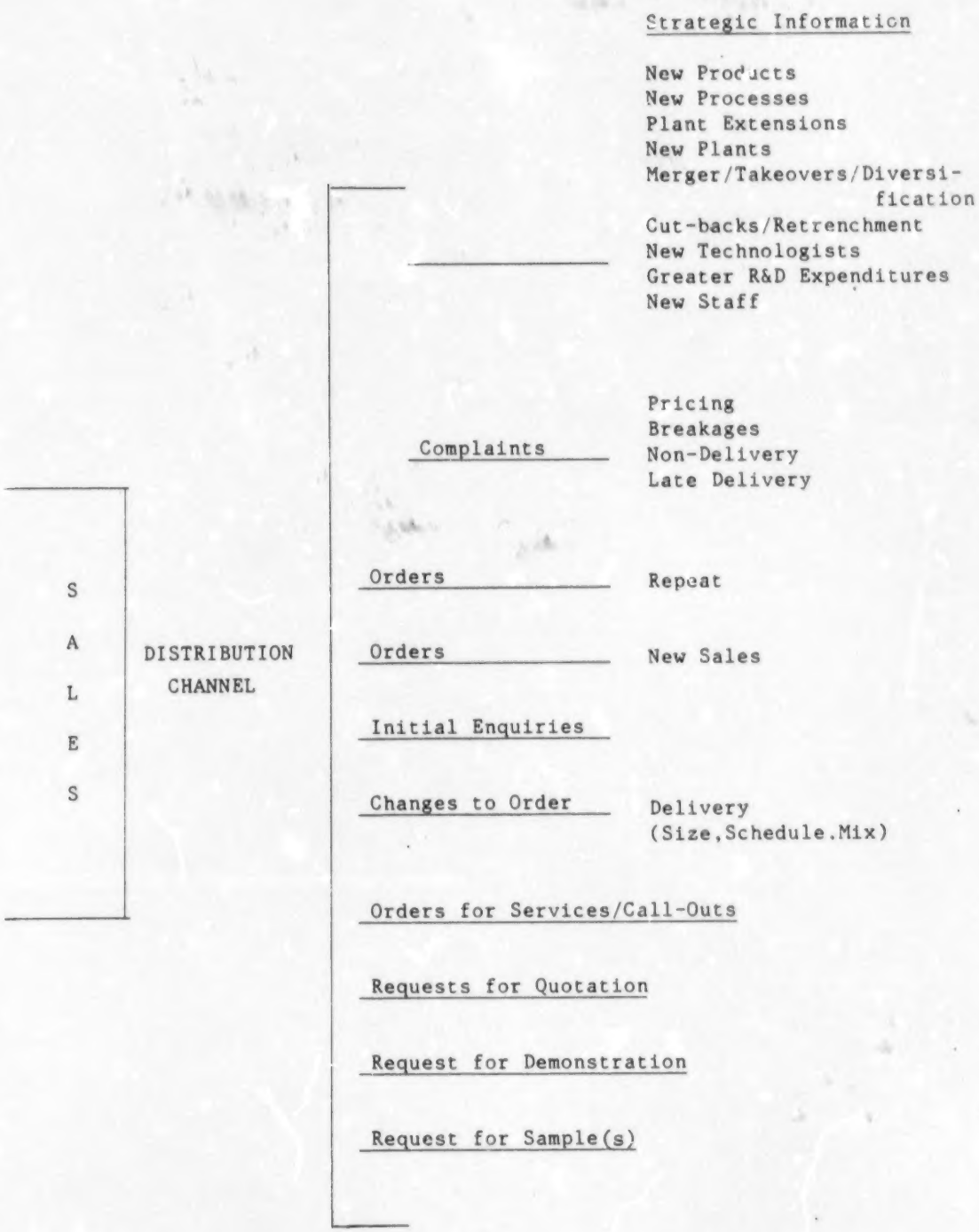

Figure 3. Strategic Inputs from Customers/Prospects

1. It is not easy to monitor such activities.

2. Today's sales of today's products are the measure of success.

3. Information relating to strategic aspects of the organisation's activities are not allowed for in the standard reporting system.

It is my contention that significant improvements with respect to the accuracy and effectiveness of the environmental scanning procedure could be achieved if positive steps were taken to ensure that all staff capable of providing input into the "pool" were encouraged to do so.

ENVIRONMENTAL SCANNING USING THE SALES FORCE: A STUDY OF SELECTED WESTERN AUSTRALIAN COMPANIES

A preliminary study has been conducted in Western Australia to ascertain to what extent the sales force is used to provide strategic information.

Fifty-five companies were selected for the study. Sales managers were asked to what extent sales staff were encouraged to report on strategic issues in their formal reports. Whilst 25 percent of the organisation made allowance for such feedback, very few (5 percent) actively encouraged written feedback. Reliance was paid on verbal weekly presentations at sales meetings.

Ironically, the people most committed to the organisation's success are not encouraged to provide information which could prove vital to the organisation's future well-being, information which would provide a more solid base for future strategic thinking. The reasons for this ironic behaviour are readily apparent. The sales staffs in 82 percent of the organisations interviewed are gauged in terms of their success, on actual sales achieved. With the cost of the average sales call rising at an alarming rate, one can appreciate the sales manager's dilemma. Invariably, the sales manager is being judged on short-term goal attainment.

The need to provide information with which the company is better able to decide on a future course of action is vital. However, such an appreciation must be held by the executive of the organisation.

THE ORGANISATION AND THE EXTERNAL ENVIRONMENT

A survey of staff in nonmarketing positions in the organisations previously referred to was also conducted. Respondents were asked to furnish details of strategic information they supplied to the organisation other than that used in the formal planning process. Eighty percent of all staff surveyed did not provide such information--neither had they been requested to do so.

Each member of the organisation is seen at some stage or other by the community as representing that organisation. However, because the member is not directly selling the organisation's offering, the communication links tend to be informal. As such the member often gains access to material not readily available to the organisation. In the absence of any incentive to pass this information on, it is often lost to the system.

A climate which encourages informal communication would be beneficial in establishing the concept. This can be achieved by developing a common purpose in the organisation. Clearly, certain personnel are more likely than others to be able to report on significant outcomes. Staff with more formal external links would be expected to make significant inputs; personnel in this category include installation engineers, service personnel, etc.

In certain cases, engineering staffs concerned are interacting with customers' staffs who invariably have detailed knowledge of their companies' developments. In addition to the feedback of useful information, these engineers are interacting with the clients' future managers and decision makers. Hence, besides the useful immediate contact appeal, impressions of the company generated through the interaction could well influence their future decisions with respect to the supplier.

CONCLUSION

Rapid technological change and greater international competition together with a number of other factors are resulting in shorter product life cycles.

Organisational change occurs as the offering passes through the introductory, growth, and mature phases of its life. The organisation traditionally wrestles with the problems of growth, the need to maintain entrepreneurial flair, and the onset of standardisation. The communication process changes markedly as the product moves from introduction to maturity.

Much of the readily available information necessary for planning is lost to the organisation because the emphasis on information retrieval is geared to sales or new sales. Peripheral information is not usually accepted and channelled to the planning function. The process is further complicated by the changing organisational structure and communication networks.

This paper has provided preliminary research data which suggest that a number of organisational components have a capacity for supplying key material to the "planning data bank." Further, the concept of encouraging staff in general to pass on information that would provide valuable detail to the environment scanning function is not well used.

RECOMMENDATIONS

Environmental scanning and scenario development will undoubtedly be used to a greater extent and with greater sophistication in the future.

The retrieval of information can be costly. Any organisation must balance the cost of retrieval against the benefit of the information. In many industrial organisations there is much to be gained by encouraging "support staff" to "sell the organisation."

A planned information retrieval system for external intelligence is recommended. Such a system needs to be underpinned by a general awareness program within the organisation which would encourage staff to participate. The organisation itself must provide the appropriate atmosphere for such a plan. There is a real need for many organisations to move away from a concept of monitoring sales figures only. Employees represent an army of support already dedicated to the organisational cause--their enthusiastic support if correctly channelled would provide a powerful advantage in the race to keep ahead!

This work indicates that most organisations under-use their staffs in this regard. A vast amount of information is available to staff in all functional areas. What is needed is a mechanism for collecting such information--combined with the encouragement of the staff to use the mechanism.

It is proposed that the marketing function ideally be placed in the industrial marketing organisation to act as the collector. The expenditure of resources to develop such a system must be measured against the advantages gained.

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